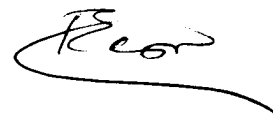


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The Director of Central Intelligence
Washington, D.C. 20505



National Intelligence Council

NIC #00178-85
11 January 1985

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

FROM:
Assistant NIO for Economics

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SUBJECT: Olmer Trade Mission to the USSR

1. I thought you would be interested in some background on Lionel Olmer's trip to the Soviet Union. As you can see from NSDD 155, the SIG-IEP took a close look at his proposed agenda and sought assurances that the discussions would be kept within narrow bounds.

2. We only have press guidance on the results of the meetings at this time. Olmer told correspondents that a future ministerial meeting was "possible." By Monday noon, we should have a better reading on the substance of the discussions. I will forward a summary of these results prior to your afternoon meeting with Olmer.

3. Several other major countries plan trade missions to the USSR in the near future. The Japanese, for example, recently held talks on possible trade expansion. An analysis of projects underway, however, indicates that any upturn in Japan-USSR trade relations will be extremely limited.

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Attachments:
As stated

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NIC #00178-85
11 January 1985

SUBJECT: Olmer Trade Mission to the USSR

DCI/NIC/A/NIO/Econ:

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Background on Olmer Trade Mission to the USSR

The purported reason for the Olmer trade mission to the USSR was to discuss obstacles to the expansion of non-strategic trade and to explore if there should be a meeting of the Cabinet level US-USSR Joint Commercial Commission.

- Olmer said he intended (a) to raise the issues of non-discriminatory treatment of US firms seeking to export, (b) to discuss possible areas for mutually beneficial trade expansion, and (c) to explain our current export control policy.
- Per agreement in the SIG-IEP, Olmer was to hold these discussions within the context of current export control policies and was not to discuss changes in oil and gas equipment and technology controls "pending further policy clarification."
- US firms currently are generally excluded from Soviet bid lists and prevented from promoting their products in the USSR.
- US sales to the USSR last year totaled just under \$3 billion, with agricultural goods accounting for 75 percent of the total. Soviet sales to the US last year were around \$500 million with ammonia, fuel oil, and palladium the lead export items.

In discussing the trip at a SIG-IEP on 18 December 1984, Baldrige assured members that the primary purpose of the trip was to lay the groundwork for possible future discussions between him and Foreign Trade Minister Patolichev.

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RUEHDB/AMEMBASSY DUBLIN 0582
RUEHAK/AMEMBASSY ANKARA 0062
RUEHTH/AMEMBASSY ATHENS 2792
RUEHUL/AMEMBASSY ROMAN 9318
RUEHRS/AMEMBASSY BRUSSELS 4171
RUOKPNO/AMEMBASSY COPENHAGEN 2630
RUEHLI/AMEMBASSY LISBON 1896
RUEHLO/AMEMBASSY LONDON 9660
RUEHNG/AMEMBASSY LUXEMBOURG 1115
RUEHMD/AMEMBASSY MADRID 3114
RUOKSNO/AMEMBASSY OSLO 2187
RUEHOT/AMEMBASSY OTTAWA 2744
RUEHFR/AMEMBASSY PARIS 6992
RUEHKJ/AMEMBASSY REYKJAVIK 1009
RUEHRO/AMEMBASSY ROME 0746
RUOKGPO/AMEMBASSY THE HAGUE 2853

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RUFHJA/USMISSION USNATO 7561
RUDKERQ/AMEMBASSY BERN 1003
RUFHMK/AMEMBASSY HELSINKI 4502
RUDKFMQ/AMEMBASSY STOCKHOLM 3081
RUEHVI/AMEMBASSY VIENNA 1279
RUDKRH/AMEMBASSY BELGRADE 0776
RUFHES/AMEMBASSY BERLIN 7192
RUDKAR/AMEMBASSY BUCHAREST 1508
RUDKDA/AMEMBASSY BUDAPEST 0546
RUDKRP/AMEMBASSY PRAGUE 1244
RUDKSA/AMEMBASSY SOFIA 0496
RUDKRA/AMEMBASSY WARSAW 2750
RUFHMO/AMCONSUL MUNICH 9416
RUEHRJ/AMEMBASSY BEIJING 7119
RUEHKO/AMEMBASSY TOKYO 76A5

BT

C O N F I D E N T I A L

LIMITED OFFICIAL USE MOSCOW 00511

USDOC FOR 1000/OS/ITA/UNDER SECRETARY OLMER

USDOC FOR 5000/TA/AS/MARCHEY

USDOC FOR 4200/IEP/EUR/DAS/FVARGO

E.O. 12356: N/A

TAGS: ECON, ETRD, UR, US

SUBJECT: WORKING GROUP OF EXPERTS: OLMER PRESS CONFERENCE

REF: (A) STATE 2431, (B) 94 MOSCOW 15083

1. SUMMARY: UNDER SECRETARY OF COMMERCE OLMER HELD A PRESS CONFERENCE FOR WESTERN CORRESPONDENTS IN MOSCOW ON THE EVENING OF JANUARY 10 TO DISCUSS THE ACTIVITIES OF THE JUST-CONCLUDED U.S.-USSR WORKING GROUP OF EXPERTS. OLMER SPOKE CAUTIOUSLY ON FUTURE PROSPECTS FOR BILATERAL TRADE, AND WAS NONCOMMITTAL REGARDING THE POSSIBILITY THAT A FULL JOINT COMMERCIAL COMMISSION WOULD MEET THIS YEAR. HE EMPHASIZED THAT U.S. POLICIES ON EXPORT

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CONTROL HAD NOT CHANGED. END SUMMARY.

2. IN ADDITION TO HANDING OUT A PRESS RELEASE (PARAGRAPH 4 BELOW), OLMER DREW LARGELY ON POINTS CONTAINED IN REFTEL A TO DESCRIBE THE WORKING GROUP'S TASK OF EXAMINING THE PROBLEMS AND PROSPECTS FOR U.S.-SOVIET BILATERAL TRADE. OLMER NOTED THAT THE MAJOR OBJECTIVE OF THE WORKING GROUP WAS TO DETERMINE THE MERITS OF CONVENING A MEETING OF THE FULL JOINT COMMERCIAL COMMISSION (JCC). WHEN ASKED ABOUT THE POSSIBILITY OF A JCC MEETING, OLMER EMPHASIZED THAT, AS YET, NEITHER SIDE HAD TAKEN A FIRM POSITION IN THE MATTER. HE ADDED THAT HIS REPORT TO COMMERCE SECRETARY BALDRIGE WOULD HELP CLARIFY THE U.S. VIEW TOWARD HOLDING A JCC MEETING. OLMER COMMENTED ON THE POSSIBLE VENUE FOR A MEETING, PARTICULARLY IN VIEW OF SOVIET FOREIGN TRADE MINISTER PATOLICHEV'S INABILITY TO TRAVEL, OLMER ALLOWED THAT THE U.S. SIDE WOULD NOT NECESSARILY STAND ON PROTOCOL AND WOULD CONSIDER MOSCOW AS A SITE FOR A SECOND CONSECUTIVE JCC MEETING, SHOULD BOTH SIDES AGREE TO HOLD THE JCC.

3. OLMER STRESSED THAT U.S. POLICIES ON EXPORT CONT HAD UNDERGONE NO CHANGE AND THAT THE SOVIET SIDE WAS SO INFORMED DURING THE WORKING GROUP MEETING. HE MENTIONED AS WELL U.S. EFFORTS DURING THE MEETING TO EDUCATE THE SOVIET SPECIALISTS REGARDING U.S. LICENSING PRACTICES, PARTICULARLY SINCE THOSE PRACTICES ARE NOT AS RESTRICTIVE AS THE SOVIETS LIKE TO SUGGEST. RESPONDING TO A QUESTION ABOUT PERSONAL COMPUTERS, HE DESCRIBED THE INCORPORATION OF NEW COCOM AGREEMENTS INTO U.S. REGULATIONS, EFFECTIVE JANUARY 1. OLMER NOTED THAT THE WORKING GROUP REVIEWED IN A GENERAL WAY A NUMBER OF AREAS OF POSSIBLE COOPERATION, AREAS WHICH THE SOVIETS AND U.S. BUSINESSMEN FROM USTEC HAD DISCUSSED PRIOR TO THE MEETING OF THE WORKING GROUP. IN RESPONSE

LIMITED OFFICIAL USE SECTION 02 OF 03 MOSCOW 00511

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USDOC FOR 5000/TA/AS/WARCHY

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USDOC FOR 4200/IEP/EUR/DAS/FVARGO

E.O. 12356: N/A

TAGS: ECON, ETRD, UR, US

SUBJECT: WORKING GROUP OF EXPERTS: OLIVER PRESS CONFERENCE

TO A QUESTION, OLIVER TOUCHED BRIEFLY ON U.S. CONCERN ABOUT LOSS OF SOVIET ACCREDITATION BY THE U.S. FIRM CALIFORNIA INTERNATIONAL TRADE AND THE SOVIET PRESS ALLEGATIONS OF ESPIONAGE AND IMPROPER BUSINESS PRACTICES ON THE PART OF A COMPANY EXECUTIVE.

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4. THE FOLLOWING IS THE TEXT OF THE U.S. DELEGATION'S PRESS RELEASE OF JANUARY 10 ON THE WORKING GROUP MEETING:

-
QUOTE THE U.S.-U.S.S.R. WORKING GROUP OF EXPERTS MET JANUARY 8-9 IN MOSCOW TO DISCUSS BILATERAL TRADE RELATIONS AND THE POSSIBILITIES FOR TRADE EXPANSION. THE U.S. DELEGATION WAS HEADED BY UNDER SECRETARY OF COMMERCE LIONEL H. OLIVER. THE SOVIET DELEGATION WAS HEADED BY DEPUTY FOREIGN TRADE MINISTER VLADIMIR SUSHKOV.

-
THE PRINCIPAL PURPOSE OF THE MEETINGS WAS TO EXPLORE WHETHER THERE WAS ENOUGH COMMON GROUND TO WARRANT CONVENING A MEETING OF THE U.S.-U.S.S.R. JOINT COMMERCIAL COMMISSION, A MINISTERIAL-LEVEL TRADE GROUP WHICH IS CHAIRED BY U.S. SECRETARY OF COMMERCE MALCOLM BALDRIGE AND SOVIET FOREIGN TRADE MINISTER NIKOLAI PATOLICHEV.

-
THE DISCUSSIONS COVERED THE STATUS OF TRADE, OBSTACLES TO TRADE, AND THE PROSPECTS FOR TRADE EXPANSION. THE TALKS WERE FRANK AND DIRECT, WITH EACH SIDE RAISING THE OBSTACLES IT SAW TO THE EXPANSION OF TRADE. EACH SIDE ALSO EXPLAINED THE AREAS IN WHICH IT BELIEVED AN EXPANSION OF TRADE WOULD BE BENEFICIAL.

-
THE U.S. DELEGATION EXPLAINED THAT THE UNITED STATES WAS INTERESTED IN EXPANDING PEACEFUL TRADE, AND STRESSED THE U.S. INTEREST IN TRADE GROWTH WAS ONLY IN THOSE

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AREAS THAT WERE CONSISTENT WITH U.S. EXPORT CONTROL POLICIES AND WITH OTHER U.S. LAWS GOVERNING BILATERAL TRADE.

UNDER SECRETARY OLIVER STATED THE U.S. VIEW THAT THERE WAS CONSIDERABLE ROOM FOR AN EXPANSION OF MUTUALLY-BENEFICIAL TRADE WITHIN THE PRESENTLY-DELINEATED AREAS. U.S. EXPORTS TO THE U.S.S.R. ARE ONLY DOLS 2.9 BILLION, OF WHICH 80 PERCENT ARE AGRICULTURAL PRODUCTS. SOVIET EXPORTS TO THE UNITED STATES ARE DOLS 500 MILLION.

A RANGE OF OBSTACLES SEEN BY EACH SIDE WERE DISCUSSED, WITH AN OPEN EXCHANGE OF VIEWS. THE PURPOSE OF THE

LIMITED OFFICIAL USE SECTION 03 OF 03 MOSCOW 00511

USDOC FOR 1000/DS/ITA/UNDER SECRETARY OLIVER

USDOC FOR 5000/TA/AS/MARCHEY

USDOC FOR 4200/IEP/EUR/OAS/EVARGO

E.O. 12356: N/A

TAGS: ECON, ETRD, UR, US

SUBJECT: WORKING GROUP OF EXPERTS: OLIVER PRESS CONFERENCE

WORKING GROUP MEETING WAS ONLY TO DISCUSS VIEWS AND POSITIONS, NOT TO NEGOTIATE DIFFERENCES. AREAS IN WHICH U.S. COMPANIES AND SOVIET ORGANIZATIONS MIGHT UNDERTAKE PROJECTS OR EXPAND TRADE WERE ALSO DISCUSSED IN A PRELIMINARY FASHION, WITH THE UNDERSTANDING THAT NO DECISIONS WERE TO BE MADE AT THIS POINT. BOTH SIDES BELIEVED THERE WAS SIGNIFICANT OVERLAPPING OF AREAS OF INTEREST.

UNDER SECRETARY OLIVER EXPRESSED THE SATISFACTION OF THE U.S. DELEGATION WITH THE TONE AND SUBSTANCE OF THE MEETINGS. HE EXPLAINED, HOWEVER, THAT THE DECISION ON WHETHER THE UNITED STATES NOW WANTED TO HOLD A MEETING OF THE CABINET-LEVEL U.S.-SOVIET JOINT COMMERCIAL COMMISSION WAS A DECISION THAT WOULD BE MADE AFTER HE

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RETURNED TO WASHINGTON.

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THE U.S.-U.S.S.R. WORKING GROUP OF EXPERTS WAS FORMED
IN 1974 UNDER THE TERMS OF THE U.S.-U.S.S.R. LONG-TERM
AGREEMENT TO FACILITATE ECONOMIC, INDUSTRIAL, AND
TECHNICAL COOPERATION. THAT AGREEMENT WAS EXTENDED IN
JUNE 1984 FOR A FURTHER 10 YEARS, BY MUTUAL AGREEMENT OF
THE UNITED STATES AND THE SOVIET UNION. THIS MEETING
OF THE WORKING GROUP WAS THE FIRST SINCE 1978. UNQUOTE.
HARTMAN

END OF MESSAGE

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The Washington Post January 11, 1985

U.S.-Soviet Trade Talks Likely to Resume

Joint Group May Be Revived After 6 Years

By Celestine Bohlen
Washington Post Foreign Service

MOSCOW, Jan. 10—After a six-year freeze, Cabinet-level meetings between the United States and the Soviet Union on trade issues are likely to resume, a U.S. Commerce Department official said here today.

"It seems to me there is reason for optimism," said Undersecretary of Commerce Lionel H. Olmer at a press conference winding up 2½ days of talks with Soviet trade officials.

Olmer, heading a delegation of 10 U.S. officials, said the main purpose of his visit was to determine if a meeting of the Joint U.S.-U.S.S.R. Commercial Commission would be worthwhile. The commission, chaired by U.S. Commerce Secretary Malcolm Baldrige and Soviet Foreign Trade Minister Nikolai Patolichev, has not met since December 1978.

A final decision has not yet been made, but Olmer said his meetings here with Patolichev and Vladimir Sushkov, deputy foreign trade minister and head of the Soviet delegation, indicated that a ministerial meeting was possible.

"It seemed there are a number of areas where we can talk usefully and productively about expanding nonstrategic trade," Olmer said.

Official U.S.-Soviet contacts on trade issues were broken off after the Soviet invasion of Afghanistan in December 1979. Since then, trade relations have been buffeted first by a U.S. embargo on grain sales and then, after martial law

was declared in Poland in December 1981, by a U.S. effort to block the sale of equipment for a Siberian natural gas pipeline.

The 1980 grain embargo has since been lifted, replaced by a five-year grain agreement signed in 1983, and U.S. companies now can sell pipe-laying equipment to the Soviet Union, provided it is not considered "strategic," Olmer noted today.

But U.S.-Soviet trade is still below what it was in 1979. According to the Soviet news agency Tass, the United States has fallen from second to seventh place among the Soviet Union's capitalist trading partners.

While citing a potential for "significant expansion" in U.S.-Soviet trade, Olmer noted that even in 1979, U.S. manufacturing exports to the Soviet Union were \$700 million, a fraction of U.S. world trade. "It's not great when measured against half a trillion dollars in exports and imports," Olmer said.

This week's talks focused on ways to improve the trading climate and to ease business contacts within the framework of existing restrictions, Olmer said.

He singled out agribusiness, petrochemicals and consumer products as fields where U.S. business groups felt American firms could meet Soviet needs. The Soviets, for their part, want to increase their exports to the United States, but were not explicit about the type of products, Olmer said. Conceding that the U.S. market for Soviet goods is "very small," Olmer said,



LIONEL H. OLMER
... sees "reason for optimism"

"The problem of marketing Soviet goods is a Soviet problem."

Restrictions on the sale of "strategic" goods and technology, as well as longstanding preconditions on granting the Soviet Union most-favored-nation trading status, were not discussed this week, Olmer said.

"There is no intention, no sentiment, no interest in pursuing changes" in those areas, he said. The United States has tied most-favored-nation status to greater freedom for Soviet citizens to emigrate and has signed agreements with 14 nations limiting the transfer of technology to Warsaw Pact countries.

Olmer said the Soviets were not aware that the 15-nation committee that monitors sensitive exports to the Soviet Bloc had changed its rules recently to allow the sale of personal computers to countries in the bloc. Those changes were adopted along with tighter restrictions on the sale of more sophisticated computer technology.

US Favors Expansion Of Trade With Soviets

January 11, 1985

By ALBERT AXEBANK

Journal of Commerce Special

MOSCOW — U.S. Undersecretary of Commerce Lionel H. Olmer said Thursday he had told the Soviet Union there is "considerable room" for an expansion of mutually beneficial trade between the two countries within the presently delineated areas.

Mr. Olmer told a news gathering in Moscow that he had met and held lengthy talks with Soviet Foreign Trade Minister Nikolai Patolichev and his deputy, Vladimir Sushkov.

The U.S. Commerce official and his delegation were to return to Washington next Monday and discuss with Secretary of Commerce Malcolm Baldrige whether there is enough common ground to warrant convening a ministerial-level meeting with the Soviets.

Mr. Olmer said, in reply to a question from this newspaper, that the Reagan administration "favors expansion of peaceful trade with the U.S.S.R. in non-strategic areas." He said recent decisions of the United States and its allies had resulted in an easing of some restrictions on Soviet trade, for example on sales of personal computers to the Soviet Union.

At the same time, Mr. Olmer said he raised with Soviet officials the problems of existing U.S. legislation dealing with Soviet trade, including

the linkage of such trade with Soviet emigration policies.

Mr. Olmer said the talks in Moscow covered the status of trade, obstacles to trade and the prospects for trade expansion. He called the talks frank and direct, with each side raising the obstacles it saw to increased trade. Each side also explained the areas in which it believed an expansion of trade would be beneficial.

U.S. exports to the Soviet Union were approximately \$3 billion last year, of which 80 percent was agricultural products. Soviet exports to the United States totaled about \$500 million.

Mr. Olmer said there was a potential for U.S. firms to make profits in Soviet trade and also to make a "contribution" to Soviet-American understanding.

He said some difficulties with the Soviets were not capable of resolution, that some difficulties can be resolved and that in a third area there were no difficulties. The official said U.S. Ambassador Arthur Hartman had proposed last year a U.S. pamphlet, which was published, setting forth those American products for export to the Soviet Union that did not require a license.

Mr. Olmer said the American-

SEE US FAVORS, PAGE 3A

CONTINUED FROM PAGE 1A

Soviet trade and economic council recently had come up with a number of projects in which the Soviets were interested. He said the Commerce Department has been examining these projects for approval.

Mr. Olmer said a member of his delegation had explained to the Soviets about anti-dumping laws in the United States.

The Commerce official said a Soviet-American working group of experts was formed in 1974 under the terms of the U.S.-U.S.S.R. long-term

agreement to facilitate economic, industrial and technical cooperation. He said that agreement was extended in June 1984 for a further 10 years by mutual agreement of both countries. He said his meeting in Moscow this week was the first of such a working group since 1978.

Mr. Olmer said the Soviets had agreed to meet with an official of a U.S. firm, CIT, which had lost its official Soviet accreditation.

Soviet Trade Talks Ended

Special to The New York Times

MOSCOW, Jan. 10 — The head of an American trade delegation said today that he was optimistic about the possibilities for a meeting between Commerce Secretary Malcolm Baldrige and the Soviet Foreign Trade Minister, Nikolai S. Patolichev.

Ending two days of talks, Undersecretary of Commerce Lionel H. Olmer said, however, that he had made it clear that there was no question of the United States' reviewing its policy of trade restrictions on goods with possible military applications.

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ALSO FOR USOECD, USEC, USNATO

E.O. 12356: DECL: OADR
TAGS: ETRD, UR
SUBJECT: US-USSR WORKING GROUP OF EXPERTS'
MEETING

1. COMMERCE UNDER SECRETARY LIONEL OLMER WILL LEAD AN INTERAGENCY U.S. DELEGATION TO MOSCOW FOR AN ECONOMIC EXPERTS' GROUP MEETING ON JANUARY 8-10. THIS MEETING, WHICH IS BEING HELD UNDER THE PROVISIONS OF THE U.S.-SOVIET LONG TERM ECONOMIC, INDUSTRIAL AND TECHNICAL AGREEMENT, IS THE FIRST MEETING OF THIS GROUP SINCE 1978. IN ADDITION TO COMMERCE, REPRESENTATIVES FROM THE DEPARTMENTS OF STATE, TREASURY, AND AGRICULTURE AND THE OFFICE OF THE SPECIAL TRADE REPRESENTATIVE WILL BE REPRESENTED ON THE U.S. DELEGATION.

2. THE PURPOSE OF THE WORKING GROUP IS TO REVIEW THE STATUS OF OVERALL U.S.-SOVIET ECONOMIC RELATIONS, TO DISCUSS PRESENT OBSTACLES TO THE EXPANSION OF NON-STRATEGIC TRADE, AND TO EXPLORE IF THERE SHOULD BE A MEETING OF THE CABINET-LEVEL U.S.-U.S.S.R. JOINT COMMERCIAL COMMISSION (JCC). THE JCC WAS

ESTABLISHED IN 1972 BUT HAS NOT MET SINCE 1978. IT IS CHAIRED ON THE U.S. SIDE BY SECRETARY OF COMMERCE BALDRIGE AND ON THE SOVIET SIDE BY FOREIGN TRADE MINISTER PATOLICHEV. THE USG HAS AGREED TO CONSIDER PROSPECTS FOR A JCC MEETING AS PART OF THE OVERALL EFFORT TO ESTABLISH A MORE CONSTRUCTIVE RELATIONSHIP WITH THE SOVIET UNION, BUT HAS INSISTED THAT A JCC MEETING CAN ONLY BE HELD IF IT WILL RESULT IN CONCRETE STEPS BY BOTH SIDES TO FACILITATE THE EXPANSION OF NON-STRATEGIC TRADE. THE MISSION OF THE WORKING GROUP IS TO DETERMINE IF THERE IS A SUFFICIENT OVERLAPPING OF TRADE INTERESTS TO ENABLE A SUCCESSFUL JCC MEETING.

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3. WE DO NOT EXPECT A SHARP RISE IN TRADE AS A RESULT OF THE MEETING, BUT BELIEVE THAT IT WILL HAVE A POSITIVE IMPACT ON OUR OVERALL ECONOMIC RELATIONS. U.S. SALES TO THE USSR IN 1984 ARE EXPECTED TO BE DOLS 2.9 BILLION WITH OVER 75 PERCENT OF THESE BEING AGRICULTURAL COMMODITIES. SOVIET SALES TO THE U.S. IN 1984 WILL BE ABOUT DOLS 500 MILLION WITH AMMONIA, LIGHT FUEL OIL, AND PALLADIUM BEING THE LEADING SOVIET EXPORT ITEMS.

4. THE WORKING GROUP WILL HOLD DISCUSSIONS ON THE STATUS OF U.S.-SOVIET TRADE, WILL REVIEW OBSTACLES TO THE EXPANSION OF THAT TRADE, AND WILL SEEK TO IDENTIFY AREAS IN WHICH BOTH SIDES BELIEVE AN EXPANSION OF COMMERCE WOULD BE IN THEIR MUTUAL INTEREST. THE U.S. DEL WILL EMPHASIZE THE USG VIEW THAT THERE IS ROOM FOR AN EXPANSION OF NON-STRATEGIC TRADE WITHIN THE PARAMETERS OF PRESENT EXPORT CONTROL POLICIES. THE U.S. DEL WILL STRESS THE EFFECT THAT SOVIET PRACTICES ARE HAVING ON THE ABILITY OF U.S. FIRMS TO CONDUCT NON-STRATEGIC BUSINESS -- PRACTICES SUCH AS REMOVING U.S. FIRMS FROM BID LISTS, PREVENTING U.S. COMPANY PROMOTION EFFORTS, AND INSTRUCTING PURCHASING OFFICIALS TO AVOID BUYING U.S. PRODUCTS. IN ADDITION TO THESE ISSUES WE ALSO INTEND TO RAISE OUR CONCERNS WITH SOVIET HUMAN RIGHTS AND EMIGRATION POLICIES.

5. THE SOVIET DEL IS EXPECTED TO RAISE EXPORT CONTROLS AND CONTRACT SANCTITY AS MAJOR TRADE OBSTACLES AND TO REPEAT LONG-STANDING SOVIET COMPLAINTS REGARDING LACK OF MFN TREATMENT IN THE U.S. MARKET AND LACK OF OFFICIAL U.S. EXPORT FINANCING. THE SOVIET DEL WILL ALSO RAISE VARIOUS SPECIFIC U.S. RESTRICTIONS ON SOVIET EXPORTS TO THE UNITED STATES, SUCH AS ON FURS, NICKEL, AND POTASH. WE ARE ALSO EXPECTING THE SOVIETS TO EXPRESS INTEREST IN U.S. OIL AND GAS EQUIPMENT EXPORTS

AND IN THE POSSIBILITY OF U.S. COMPANY PARTICIPATION IN SOVIET ENERGY PROJECTS.

6. ALL US DEL DISCUSSIONS IN THE WORKING GROUP WILL BE WITHIN THE CONTEXT OF PRESENT EXPORT CONTROL POLICIES. THE US DEL WILL NOT BE DISCUSSING ANY EXPANSION OF GOODS OR TECHNOLOGIES AVAILABLE TO THE SOVIET UNION BEYOND THOSE PERMITTED UNDER PRESENT CONTROL REGULATIONS AND POLICIES. IN PARTICULAR, THE US DEL IS NOT GOING TO BE DISCUSSING CHANGES IN OIL AND GAS EQUIPMENT AND TECHNOLOGY CONTROLS OR AGREE TO AN ACTIVE PROGRAM FOR TRADE EXPANSION IN THIS AREA, PENDING FURTHER POLICY CLARIFICATION.

7. WE EXPECT THAT THIS MEETING WILL ATTRACT CONSIDERABLE ATTENTION FROM OUR ALLIES SINCE IT IS THE FIRST HIGH LEVEL GOVERNMENT-TO-GOVERNMENT CONTACT WE HAVE HAD WITH THE SOVIETS ON ECONOMIC/COMMERCIAL MATTERS, EXCEPTING AGRICULTURE, SINCE THE INVASION OF AFGHANISTAN. WE BELIEVE THAT IT IS PARTICULARLY IMPORTANT THAT THESE COUNTRIES HAVE A FULL UNDERSTANDING OF THE SCOPE OF OUR ECONOMIC DISCUSSIONS WITH THE SOVIETS BECAUSE WE WANT OUR COCOM PARTNERS TO UNDERSTAND THAT BEGINNING A DIALOGUE WITH THE SOVIETS ON TRADE MATTERS WILL NOT LEAD TO AN UNRAVELING OF TRADE CONTROLS NOW IN PLACE. WE THEREFORE WOULD LIKE TO HAVE POSTS APPROACH ALLIED GOVERNMENTS PRIOR TO THE OLMER MEETING AND OFFER THEM A FULL BRIEFING USING PARAS. 1-6 AND THE TALKING POINTS BELOW. WE ALSO INTEND TO PROVIDE THEM WITH A READOUT OF THE RESULTS OF THE OLMER MEETING.

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--- THE JANUARY MEETING OF ECONOMIC AND TRADE EXPERTS IS AN IMPORTANT PART OF OUR EFFORT TO ESTABLISH A MORE CONSTRUCTIVE OVERALL DIALOGUE WITH THE SOVIETS.

--- WE SUPPORT THE PRINCIPLE OF ENCOURAGING MUTUALLY BENEFICIAL, NON-STRATEGIC TRADE WHILE MAINTAINING OUR CURRENT REGIME OF TRADE CONTROLS IN SECURITY-SENSITIVE AREAS.

--- AT THE MEETING WE PLAN TO EXPLORE WITH THE SOVIETS IF THERE ARE AREAS IN WHICH NON-STRATEGIC TRADE CAN BE EXPANDED ON A MUTUALLY BENEFICIAL BASIS. NO AGREEMENTS OR NEGOTIATIONS WILL TAKE PLACE IN THE WORKING GROUP. THE MEETING IS FOR THE SOLE PURPOSE OF ASCERTAINING WHETHER IT WOULD BE WORTHWHILE TO SCHEDULE A MEETING OF THE U.S.-U.S.S.R. JOINT COMMERCIAL COMMISSION FOR LATER IN 1985. THIS COMMISSION, WHICH MEETS ON THE

MINISTERIAL LEVEL, IS SIMILAR TO OTHER MIXED COMMISSIONS BETWEEN THE SOVIET UNION AND ITS TRADING PARTNERS.

-- THE RESUMPTION OF A COMMERCIAL DIALOGUE WITH THE SOVIETS WILL NOT RESULT IN ANY CHANGE IN THIS ADMINISTRATION'S COMMITMENT TO TIGHT CONTROLS ON THE EXPORT OF SECURITY-SENSITIVE EXPORTS TO THE SOVIET UNION.

-- WE DO NOT PLAN ANY CHANGES IN OUR POLICY CONCERNING THE EXPORT TO THE SOVIET UNION OF EQUIPMENT AND TECHNOLOGY FOR OIL AND GAS EXPLORATION AND PRODUCTION OR AGREE TO AN ACTIVE PROGRAM OF TRADE EXPANSION IN THIS AREA. WE INTEND TO CONTINUE TO REQUIRE A VALIDATED LICENSE FOR SUCH EXPORTS, EXAMINE APPLICATIONS ON A CASE BY CASE BASIS, AND MAINTAIN OUR CURRENT POLICY OF GENERAL APPROVAL FOR SALES OF NON-STRATEGIC EQUIPMENT BUT DENIAL FOR SALES OF TECHNOLOGY.

-- SPECIFIC ISSUES WHICH WE PLAN TO RAISE INCLUDE THE NON-DISCRIMINATORY TREATMENT OF U.S. FIRMS SEEKING TO EXPORT TO THE SOVIET UNION, GENERAL BUSINESS FACILITATION MATTERS, AS WELL AS A CLARIFICATION OF OUR CURRENT EXPORT CONTROL POLICY AND ITS EFFECT ON U.S. EXPORTS TO THE SOVIET UNION. WE ALSO INTEND TO RAISE OUR CONCERNS WITH SOVIET HUMAN RIGHTS AND EMIGRATION POLICIES.

-- WE EXPECT THE SOVIETS TO RAISE SUCH ISSUES AS THE RELIABILITY OF THE U.S. AS A SUPPLIER AND OBSTACLES FACED BY SOVIET EXPORTS TO THE U.S. SUCH AS THE DENIAL OF MFN. IN ADDITION, THE SOVIETS MAY RAISE CERTAIN SPECIFIC ISSUES SUCH AS THE CONTINUED EXISTENCE OF A BAN ON THE IMPORTATION INTO THE U.S. OF SEVEN KINDS OF FURSKINS, PORT ACCESS REQUIREMENTS FOR SOVIET SHIPS ENTERING U.S. PORTS, AND RESTRICTIONS ON AEROFLOT OPERATIONS IN THE U.S.

-- NO SPECIFIC AGREEMENTS WILL COME OUT OF THE JANUARY MEETING, BUT WE HOPE THAT THE EXCHANGE OF INFORMATION WILL BE USEFUL IN EXPANDING OUR DIALOGUE ON ECONOMIC AND TRADE ISSUES.

-- IF A U.S.-SOVIET JOINT COMMERCIAL COMMISSION IS HELD LATER THIS YEAR, IT WILL NOT SET A PRECEDENT. MOST OF OUR ALLIES HAVE BEEN HAVING ANNUAL CABINET-LEVEL AND SUB-CABINET-LEVEL TRADE AND ECONOMIC MEETINGS WITH THE

U.S.S.R. SHULTZ

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Next 5 Page(s) In Document Denied